



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
MARSHALL COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
[WWW.KYAUDITOR.NET](http://WWW.KYAUDITOR.NET)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELE. (502) 564-5841  
FAX (502) 564-2912**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MARSHALL COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

The Auditor of Public Accounts has completed the Marshall County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

There was an excess of cash receipts over cash disbursements in the amount of \$404,839. A cash balance of \$4,768,702 existed as of June 30, 2000. Operating revenues increased by \$1,192,993 from the prior year and operating disbursements increased by \$1,108,013.

#### **Report Findings:**

- The County's Financial Statement Should Include All Funds
- The County Should Strengthen Its Expenditure Process

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

#### **Subsequent Events:**

The County has issued \$8,005,000 Marshall County Public Properties Corporation First Mortgage Revenue Bonds, Series 2000, dated October 1, 2000. The Bonds will mature as to principal beginning March 1, 2003. The Bonds were issued to fund the construction of a Judicial Building (Justice Center Project). The Administrative Office of the Courts will be responsible for 85-88% of the cost of the bonds. The County will be responsible for the remaining balance of this cost.

The County has entered into a rent agreement with Calvert City for the construction of a fire and ambulance station. Under terms of the agreement, Calvert City was to obtain a 15-year loan and the County would be obligated to pay 48% of the loan and administration fees. Calvert City obtained the loan and payments began December 1, 1999; however, due to construction delays, the building was not completed until April 2001. Since the County's share of total costs could not be determined until the project was completed, the County did not make payments. The county's total projected costs are \$373,322. As of the April 30, 2001, the County owed Calvert City \$29,036 in order to become current on the lease-purchase agreement. The county's monthly rent obligations would be \$2,074 per month.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Mike Miller, Marshall County Judge/Executive  
Members of the Marshall County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Marshall County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Marshall County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Marshall County Refuse Disposal District or the Marshall County Exceptional Center. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, expressed herein, insofar as it relates to the amounts included for the Marshall County Refuse Disposal District or the Marshall County Exceptional Center, is based upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Marshall County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Mike Miller, Marshall County Judge/Executive  
Members of the Marshall County Fiscal Court

In our opinion, based upon our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2000 of Marshall County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued our report dated May 2, 2001 on our consideration of Marshall County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The County's Financial Statement Should Include All Funds
- The County Should Strengthen Its Expenditure Process

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Marshall County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
May 2, 2001



MARSHALL COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

**Fiscal Court Members:**

Mike Miller	County Judge/Executive
Jerry English	Commissioner
Jerome Hicks	Commissioner
Gordon Hargrove	Commissioner

**Other Elected Officials:**

Jeff Edwards	County Attorney
Roger Ford	Jailer
Dan Duke	County Clerk
Carol Fisk	Circuit Court Clerk
Terry Anderson	Sheriff
Ann Riley	Property Valuation Administrator
Mitchell Lee	Coroner

**Appointed Personnel:**

Tim York	County Treasurer
Angie Murphy	Occupational Tax Collector
Emily West	Finance Officer

**Other Supervisory Staff:**

Road Supervisor	Gary Atkins
911 Administrator	Marsha Penny
Jail Administrative Assistant	Lauri Ford

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STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS



MARSHALL COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

General Fund Type

General Fund:

Cash	\$ 620,416
Due from Payroll Revolving Account	50,985
Notes Receivable (Note 4)	60,000

Road and Bridge Fund:

Cash	117,801
------	---------

Jail Fund:

Cash	440,641
------	---------

Local Government Economic Assistance Fund:

Cash	17,885
------	--------

Federal Grant Fund:

Cash	21,364
Investments	342,000

Occupational Tax Fund:

Cash	309,250
Due from Payroll Revolving Account	50,000

Occupational Tax Administrator Fund:

Cash	2,552,407
------	-----------

Self-Insurance Fund:

Cash	28,231
------	--------

Payroll Revolving Account - Cash	100,985	\$ 4,711,965
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Special Revenue Fund Type

Emergency 911 Fund:

Cash	142,923
------	---------

Capital Projects Fund Type

Public Properties Corporation Fund:

Cash	175,784
------	---------

Total Assets	\$ 5,030,672
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The accompanying notes are an integral part of the financial statements.

MARSHALL COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS  
June 30, 2000  
(Continued)

Assets and Other Resources (Continued)

Other Resources

General Fund Type

General Fund:

Amounts to be Provided in Future Years for Landfill  
Postclosure Care (Note 6)

\$ 3,044,459

Total Assets and Other Resources

\$ 8,075,131

Liabilities and Fund Balances

Liabilities

General Fund Type

General Fund:

Deferred Revenues (Note 4)

\$ 60,000

Amounts to be Provided in Future Years for Landfill  
Postclosure Care (Note 6)

3,044,459

Payroll Revolving Account:

Due to General Fund

50,985

Due to Occupational Tax Fund

50,000

\$ 3,205,444

Fund Balances

Reserved:

General Fund Type

Federal Grant Fund

\$ 363,364

Self-Insurance Fund

28,231

391,595

Special Revenue Fund Type

Emergency 911 Fund

142,923

Capital Projects Fund Type

Public Properties Corporation Fund

175,784

The accompanying notes are an integral part of the financial statements.

MARSHALL COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS  
June 30, 2000  
(Continued)

Liabilities and Fund Balances (Continued)

Unreserved:

General Fund Type

General Fund	\$	671,401	
Road and Bridge Fund		117,801	
Jail Fund		440,641	
Local Government Economic Assistance Fund		17,885	
Occupational Tax Fund		359,250	
Occupational Tax Administrator Fund		<u>2,552,407</u>	<u>\$ 4,159,385</u>
Total Liabilities and Fund Balances			<u><u>\$ 8,075,131</u></u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MARSHALL COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 11,120,247	\$ 4,132,447	\$ 1,185,915	\$ 1,257,143
Transfers In	3,000,000			
Total Cash Receipts	<u>\$ 14,120,247</u>	<u>\$ 4,132,447</u>	<u>\$ 1,185,915</u>	<u>\$ 1,257,143</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 10,627,821	\$ 4,149,489	\$ 1,212,357	\$ 1,117,130
Schedule of Unbudgeted Expenditures	53,305			
Schedule of Self-Insurance Fund Expenditures	34,282			
Transfers Out	3,000,000			
Total Cash Disbursements	<u>\$ 13,715,408</u>	<u>\$ 4,149,489</u>	<u>\$ 1,212,357</u>	<u>\$ 1,117,130</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 404,839	\$ (17,042)	\$ (26,442)	\$ 140,013
Cash Balance - July 1, 1999 *	<u>4,363,863</u>	<u>637,458</u>	<u>144,243</u>	<u>300,628</u>
Cash Balance - June 30, 2000 **	<u>\$ 4,768,702</u>	<u>\$ 620,416</u>	<u>\$ 117,801</u>	<u>\$ 440,641</u>

\* Cash balance includes prior year voided checks.

\*\* Cash balance includes investments.

The accompanying notes are an integral part of the financial statements.

MARSHALL COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
Fiscal Year Ended June 30, 2000  
(Continued)

General Fund Type				
Local Government Economic Assistance Fund	Federal Grant Fund	Occupational Tax Fund	Occupational Tax Administrator Fund	Self-Insurance Fund
\$ 5,941	\$ 724,990	\$ 27,183 3,000,000	\$ 3,372,833	\$ 62,513
\$ 5,941	\$ 724,990	\$ 3,027,183	\$ 3,372,833	\$ 62,513
\$	\$ 361,631	\$ 3,322,149	\$ 53,305	\$
			3,000,000	34,282
\$	\$ 361,631	\$ 3,322,149	\$ 3,053,305	\$ 34,282
\$ 5,941 11,944	\$ 363,359 5	\$ (294,966) 604,216	\$ 319,528 2,232,879	\$ 28,231
\$ 17,885	\$ 363,364	\$ 309,250	\$ 2,552,407	\$ 28,231

The accompanying notes are an integral part of the financial statements.

MARSHALL COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 2000  
 (Continued)

	Special Revenue Fund Type	Capital Projects Fund Type
	Emergency 911 Fund	Public Properties Corporation Fund
<u>Cash Receipts</u>		
Schedule of Operating Revenue	\$ 343,046	\$ 8,236
Transfers In		
Total Cash Receipts	<u>\$ 343,046</u>	<u>\$ 8,236</u>
<u>Cash Disbursements</u>		
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 465,065	\$
Schedule of Unbudgeted Expenditures		
Schedule of Self-Insurance Fund Expenditures		
Transfers Out		
Total Cash Disbursements	<u>\$ 465,065</u>	<u>\$</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (122,019)	\$ 8,236
Cash Balance - July 1, 1999 *	<u>264,942</u>	<u>167,548</u>
Cash Balance - June 30, 2000 **	<u><u>\$ 142,923</u></u>	<u><u>\$ 175,784</u></u>

\* Cash balance includes prior year voided checks.

\*\* Cash balance includes investments.

The accompanying notes are an integral part of the financial statements.

MARSHALL COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Marshall County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Marshall County Rescue Squad, Emergency 911 Fund, Marshall County Public Properties Corporation, and Marshall County Parks and Recreation Board as part of the reporting entity. Management has also included the Marshall County Refuse Disposal District and Marshall County Exceptional Center which were audited by other auditors and whose reports are included in Appendices B and C as part of the reporting entity.

1) Marshall County Rescue Squad:

The rescue squad cannot levy taxes, set rates or charges, or issue bonded debt without the approval of Fiscal Court; nor does it have the right to buy, sell, lease, or mortgage property in its own name. Marshall County owns and insures the rescue squad buildings and most of its equipment. In addition, Fiscal Court adopted a resolution dated June 30, 2000, that states that the rescue squad is officially affiliated with the county's Office of Emergency Management as required by KRS 39F.120(9). The resolution states that Fiscal Court has fiscal accountability for the rescue squad and that, in all county declared states of emergency, the rescue squad will be under the direction and control of the Marshall County Office of Emergency Management Director and/or County Judge/Executive. Financial information for the rescue squad is blended within Marshall County's financial statements.

2) Emergency 911 Fund:

The Marshall County Emergency 911 Board is a legally separate organization with all of the rights and obligations of such. Fiscal Court does not appoint the Board. The Board has the right to buy, sell, lease, and mortgage property, and issue bonded debt in its own name. However, the Board has authorized Fiscal Court to perform all bookkeeping responsibilities. All E-911 receipts and disbursements are budgeted, received, and paid through Fiscal Court; the County Treasurer includes Emergency 911 as a separate fund on Marshall County's financial reports. Financial information for the Emergency 911 Board is blended within Marshall County's financial statements.

3) Marshall County Public Properties Corporation:

Fiscal Court has the authority to appoint a voting majority of the Public Properties Corporation's (PPC) Board of Directors. Fiscal Court also has the ability to approve or modify the PPC's budget, approve or modify rate or fee changes affecting revenues, veto, overrule, or modify decisions of the Board of Directors, or otherwise impose its will on the PPC. In addition, Fiscal Court is financially accountable for the PPC: legally entitled to the PPC's resources as well as legally obligated for the PPC's debt. Financial information for the Public Properties Corporation is blended within Marshall County's financial statements.

MARSHALL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

4) Marshall County Parks and Recreation Board:

Fiscal Court has the authority to appoint a voting majority of the Parks and Recreation Board. Fiscal Court also has the ability to approve or modify the Board's budget, approve or modify rate or fee changes affecting revenues, veto, overrule, or modify decisions of the Board, or otherwise impose its will on the Board. In addition, Fiscal Court is financially accountable for the Parks and Recreation Board: legally entitled to resources as well as legally obligated for debt. Financial information for the Parks and Recreation Board is blended within Marshall County's financial statements.

5) Marshall County Refuse Disposal District:

The Refuse Disposal District has the right to buy, sell, lease, and mortgage property in its own name. The District also has the right to sue and be sued in its own name. Fiscal Court does not have the authority to approve or modify the District's budget, approve or modify rate or fee changes affecting revenues, or veto, overrule, or modify decisions of the District's board of directors. However, Fiscal Court does appoint a voting majority of the District's governing body. Also, Fiscal Court is either legally obligated or has assumed the obligation to finance the District's deficits by providing financial support to the District: Fiscal Court contributes at least \$200,000 per fiscal year to help fund the District. Therefore, Fiscal Court is considered financially accountable for the District. Financial information for the Refuse Disposal District is discretely presented in a separate audit performed by other auditors and included as Appendix B to our audit report.

6) Marshall County Exceptional Center:

The Exceptional Center has the right to buy, sell, lease, mortgage property, and issue bonded debt in its own name. The District also has the right to sue and be sued in its own name. Fiscal Court does not have the authority to approve or modify the District's budget, approve or modify rate or fee changes affecting revenues, or veto, overrule, or modify decisions of the District's board of directors. Fiscal Court does not appoint a voting majority of the Center's governing body. However, Fiscal Court believes the county has a moral obligation to provide funding to the Center if necessary. Financial information for the Exceptional Center is discretely presented in a separate audit performed by other auditors and included as Appendix C to our audit report.

Additional – Marshall County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

MARSHALL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

The Kentucky constitution provides for election of the above officials from the geographic area constituting Marshall County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. A list of Marshall County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Marshall County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Federal Grant Fund, the Occupational Tax Fund, the Occupational Tax Administrator Fund, and the Self-Insurance Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Emergency 911 Fund is reported as a Special Revenue Fund Type.

3) Capital Projects Fund Type

Capital Project Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Public Properties Corporation Fund is reported as a Capital Projects Fund Type.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

MARSHALL COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2000  
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

The Marshall County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Public Properties Fund because other relevant contractual provisions require specific payments to and from this fund monthly/annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Marshall County Fiscal Court:

Marshall County Hospital  
 Jonathan Creek Water District  
 North Marshall Water District  
 Elva Water District  
 Marshall County Tourist and Convention Commission

Marshall County Library  
 Marshall County Health Department  
 Aurora Sewer District  
 Draffenville Sewer District



MARSHALL COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2000  
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following are considered joint ventures of Marshall County Fiscal Court:

Marshall County Ambulance Service	Calvert Health Services
Fleetwood Industrial Manufacturing Facility	Calvert Fire and Ambulance Station
Industrial Development Board	

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

MARSHALL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 4. Receivables

- A. The county loaned \$30,000 to Elva/New Harmony/Oak Level Fire District on July 21, 1999, for the purpose of renovating the Fire Department. Terms of the agreement stipulate a 12-year repayment schedule, interest free. The Fire District is in substantial compliance with the terms of the agreement. As of June 30, 2000, principal balance due was \$30,000.
- B. The county loaned \$30,000 to Fairdealing Fire District on January 11, 2000, for the purpose of renovating the Fire Department. Terms of the agreement stipulate a 12-year repayment schedule, interest free. The Fire District is in substantial compliance with the terms of the agreement. As of June 30, 2000, principal balance due was \$30,000.

Note 5. Related Party Transactions

Marshall County Fiscal Court participated in the following related party transactions.

- A. During the fiscal year, the County paid \$274,523 to Timber Bridge Company of Kentucky for culverts and bridge materials. In January 1999, the County Judge/Executive filed a Statement of Financial Disclosure with the Marshall County Ethics Commission stating that he was employed as a part-time salesman for Timber Bridge, and earned in excess of \$5,000 during the preceding calendar year. It is our understanding that the County Judge/Executive abstained from voting to accept the bid of Timber Bridge. We were presented with a letter, dated August 17, 2001, from Timber Bridge Company of Kentucky, which states that the County Judge/Executive did not receive commissions on sales in Marshall County. The County Attorney reviewed this matter and did not believe that it violated the Marshall County Ethics code.
- B. We determined that 12 of the County's 19 bank accounts and certificates of deposit were deposited in the Bank of Benton. In January 1999, the County Judge/Executive filed a Statement of Financial Disclosure with the Marshall County Ethics Commission stating that he owned an interest of at least \$10,000 in the Bank of Benton, and earned in excess of \$5,000 during the preceding calendar year from this interest. The County Attorney reviewed this matter and did not believe that it violated the Marshall County Ethics code.

Note 6. Landfill Closing

The Marshall County Landfill has been closed to dumping, and the County is in the process of meeting post-closure requirements. It is estimated that these post-closure requirements will cost the County \$3,044,459. The County expects to pay an estimated \$101,482 a year for the next 30 years. Total cost includes an adjustment of 3% for inflation. The 30-year period is also an estimated time frame for meeting all the requirements for closing the landfill. The County expended \$200,000 for post-closure in fiscal year ended June 30, 2000. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

MARSHALL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 7. Insurance

For the fiscal year ended June 30, 2000, Marshall County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Self-Insurance

The Marshall County Fiscal Court has established a self-insurance fund to provide health insurance for all county employees. The self-insurance policies were active beginning January 1, 2000. Prior to this date, the Marshall County Fiscal Court provided health insurance through United Healthcare. The county pays 75% of the insurance premiums for all county employees. During January 1, 2000 through June 30, 2000, the Marshall County Fiscal Court paid a total of \$385,057 in insurance claims, administrative expenses, stop/loss insurance and other related expenses. For the fiscal year 2000-2001 the total estimated liability under the self-insurance plan is \$1,432,796.

Note 9. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

The Marshall County Jail Canteen Fund had a beginning balance of \$72,398, revenue of \$10,601, and expenditures of \$1,387, leaving an ending balance of \$81,613 as of June 30, 2000. All profit expenditures were for the benefit and/or recreation of the inmates.

Note 11. Joint Venture Bank Account

The Ambulance Service maintains a bank account with a small balance of \$273 that is under the oversight of the County and has been reported on the financial statements in prior years. The Ambulance Service is a Joint Venture between Marshall County and the Hospital, therefore the account balance is currently being disclosed in the notes only.

MARSHALL COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 12. Grant Revenue

Marshall County was awarded fourteen grants that were either received or expended during the fiscal year ended June 30, 2000. Eight grants were federal funding and six were state funding. The total federal grant receipts during the fiscal year ended June 30, 2000 amounted to \$413,564; total state grant receipts amounted to \$715,596. The total federal grant disbursements during fiscal year ended June 30, 2000 amounted to \$417,764; total state grant disbursements amounted to \$364,693. Funding was provided by the following grantors:

- Housing and Urban Development-Community Development Block Grant – State Pass Through
- Federal Emergency Management Assistance-State Pass Through
- United States Justice Cabinet-State Pass Through
- State Surplus Grant-House Bill 321-Department For Local Government
- State Community Grant Program-Kentucky Commission on Military Affairs
- Cabinet For Health Services-Senate Bill 66 Grant
- Tennessee Valley Authority
- Office Of Financial Management-Kentucky Local Correctional Facilities Construction Authority

Note 13. Subsequent Events

The County has issued \$8,005,000 Marshall County Public Properties Corporation First Mortgage Revenue Bonds, Series 2000, dated October 1, 2000. The Bonds will mature as to principal beginning March 1, 2003. The Bonds were issued to fund the construction of a Judicial Building (Justice Center Project). The Administrative Office of the Courts will be responsible for 85-88% of the cost of the bonds. The County will be responsible for the remaining balance of this cost.

The County has entered into a rent agreement with Calvert City for the construction of a fire and ambulance station. Under terms of the agreement, Calvert City was to obtain a 15-year loan and the County would be obligated to pay 48% of the loan and administration fees. Calvert City obtained the loan and payments began December 1, 1999; however, due to construction delays, the building was not completed until April 2001. Since the County's share of total costs could not be determined until the project was completed, the County did not make payments. The county's total projected costs are \$373,322. As of the April 30, 2001, the County owed Calvert City \$29,036 in order to become current on the lease-purchase agreement. The county's monthly rent obligations would be \$2,074 per month.

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



MARSHALL COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

Budgeted Funds	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
<u>General Fund Type</u>			
General Fund	\$ 3,781,900	\$ 4,132,447	\$ 350,547
Road and Bridge Fund	1,168,900	1,185,915	17,015
Jail Fund	1,189,101	1,257,143	68,042
Local Government Economic Assistance Fund	24,100	5,941	(18,159)
Federal Grant Fund	765,000	724,990	(40,010)
Occupational Tax Fund	3,030,000	27,183	(3,002,817)
<u>Special Revenue Fund Type</u>			
Emergency 911 Fund	<u>325,000</u>	<u>343,046</u>	<u>18,046</u>
Totals	<u>\$ 10,284,001</u>	<u>\$ 7,676,665</u>	<u>\$ (2,607,336)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 10,284,001
Add: Budgeted Prior Year Surplus			<u>1,595,000</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 11,879,001</u>

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SCHEDULE OF OPERATING REVENUE



MARSHALL COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>GOVERNMENTAL FUND TYPES</u>				
<u>Revenue Categories</u>	<u>Totals (Memorandum Only)</u>	<u>General Fund Type</u>	<u>Special Revenue Fund Type</u>	<u>Capital Projects Fund Type</u>
Taxes	\$ 5,676,392	\$ 5,349,183	\$ 327,209	\$
In Lieu Tax Payments	250,444	250,444		
Excess Fees	260,835	260,835		
License and Permits	84,466	84,466		
Intergovernmental Revenues	3,338,052	3,338,052		
Charges for Services	1,126,912	1,126,912		
Miscellaneous Revenues	155,717	150,437	5,280	
Interest Earned	<u>227,429</u>	<u>208,636</u>	<u>10,557</u>	<u>8,236</u>
Total Operating Revenue	<u>\$ 11,120,247</u>	<u>\$ 10,768,965</u>	<u>\$ 343,046</u>	<u>\$ 8,236</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



MARSHALL COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,598,687	\$ 1,584,558	\$ 14,129
Protection to Persons and Property	1,673,893	1,536,600	137,293
General Health and Sanitation	1,576,663	967,565	609,098
Social Services	389,160	384,879	4,281
Recreation and Culture	938,843	934,917	3,926
Roads	3,258,807	3,059,471	199,336
Capital Projects	193,759	193,758	1
Administration	1,704,189	1,501,008	203,181
<b>TOTAL BUDGET - ALL GENERAL FUND TYPES</b>	<u><u>\$ 11,334,001</u></u>	<u><u>\$ 10,162,756</u></u>	<u><u>\$ 1,171,245</u></u>
Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 483,090	\$ 438,739	\$ 44,351
Administration	61,910	26,326	35,584
<b>TOTAL BUDGET-ALL SPECIAL REVENUE FUND TYPES</b>	<u><u>\$ 545,000</u></u>	<u><u>\$ 465,065</u></u>	<u><u>\$ 79,935</u></u>
<b>TOTAL BUDGET-ALL FUND TYPES</b>	<u><u>\$ 11,879,001</u></u>	<u><u>\$ 10,627,821</u></u>	<u><u>\$ 1,251,180</u></u>

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SCHEDULE OF UNBUDGETED EXPENDITURES



MARSHALL COUNTY  
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

GENERAL FUND TYPE:

Occupational  
Tax  
Administrator  
Fund

Expenditure Items

Refunds

\$ 53,305

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SCHEDULE OF SELF-INSURANCE FUND EXPENDITURES



MARSHALL COUNTY  
SCHEDULE OF SELF-INSURANCE FUND EXPENDITURES

Fiscal Year Ended June 30, 2000

<u>Expenditure Items</u>	<u>Amount</u>
Insurance Premiums:	
Self-Insurance Set-Up Fee	\$ 13,200
Cobra Payments	518
Employer Share, Employee Share and Refuse District	<u>20,564</u>
Total	<u><u>\$ 34,282</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Mike Miller, Marshall County Judge/Executive  
Members of the Marshall County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Marshall County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated May 2, 2001, except for financial statements of the Marshall County Refuse Disposal District and the Marshall County Exceptional Center. Other auditors whose reports have been furnished to us audited the Marshall County Refuse Disposal District and the Marshall County Exceptional Center. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Marshall County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The County's Financial Statement Should Include All Funds (Reference Number 2000-1)
- The County Should Strengthen Its Expenditure Process (Reference Number 2000-2)

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marshall County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
May 2, 2001

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Mike Miller, Marshall County Judge/Executive  
Members of the Marshall County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Marshall County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2000. Marshall County's major federal programs are identified in the summary of auditor's results section of the accompanying comments and recommendations. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Marshall County's management. Our responsibility is to express an opinion on Marshall County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marshall County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marshall County's compliance with those requirements.

In our opinion, Marshall County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Report On Compliance With Requirements Applicable To Each Major Program  
And Internal Control Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance

The management of Marshall County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Marshall County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed –  
May 2, 2001



## COMMENTS AND RECOMMENDATIONS



MARSHALL COUNTY  
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2000

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Marshall County.
2. Several instances of noncompliance material to the financial statements of Marshall County were disclosed during the audit.
3. The auditor's report on compliance for the audit of the major federal awards programs for Marshall County expresses an unqualified opinion.
4. There are no audit findings relative to the major federal awards programs for Marshall County reported in Part C of this schedule.
5. The programs tested as major programs were: the U.S. Department of Housing and Urban Development, Community Development Block Grant - Olive/Elva Water Project - CFDA #14.228 and the U.S. Federal Emergency Management Agency, Hazard Mitigation Grant Program-Siren Grant-CFDA #83.548.
6. The threshold for distinguishing Type A and B programs was \$300,000.
7. Marshall County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

Reference Number 2000-1.

The County's Financial Statement Should Include All Funds

The County's financial statement did not include the Occupational Tax Administrator Fund or the Self-Insurance Fund. This resulted in an inaccurate presentation of the fiscal court's financial condition as of June 30, 2000. Specifically, assets were understated by \$2,580,638 in these two funds.

- A. The County Treasurer maintains two bank accounts for occupational taxes but only reports one bank account on the County's financial statement. He deposits all taxes collected into the Occupational Tax Administrator Fund, then transfers funds to the Occupational Tax Fund; however, he does not transfer all of the taxes collected. During the fiscal year, occupational taxes deposited into the Occupational Tax Administrator Fund totaled \$3,278,182 and interest earned on this money totaled \$94,651; however, only \$3,000,000 was transferred to the Occupational Tax Fund and reported on the County's financial statement. As of June 30, 2000, the cash balance in the Occupational Tax Administrator Fund was \$2,552,407, which was unreported.
- B. In January 2000, the County established a Self-Insurance Fund to provide health insurance for county employees. This fund is not reported on the County's financial report. As of June 30, 2000, the cash balance in the Self-Insurance Fund was \$28,231, which was unreported.

MARSHALL COUNTY  
 COMMENTS AND RECOMMENDATIONS  
 Fiscal Year Ended June 30, 2000  
 (Continued)

NONCOMPLIANCES (Continued)

Reference Number 2000-1 (Continued)

The County's Financial Statement Should Include All Funds (Continued)

We recommend that, in the future, all County funds be included in the financial statement in order to accurately present the County's financial condition in accordance with KRS 68.360.

*County Treasurer's Response:*

*We agree to this recommendation and expect to have this change in place for the financial report for the quarter ending 9/30/01.*

*We would like to note however, that Marshall County instituted an Occupational Tax in 1981. This situation has existed for 18 audit periods. It existed last year when the same audit team that is making this recommendation performed the audit. No mention was made in the FYE 6/30/99 exit conference.*

Reference Number 2000-2

The County Should Strengthen Its Expenditure Process

In addition to the misclassifications described in the preceding finding, our testing procedures identified other problems relating to the County's expenditure process. These are outlined below.

- A. We noted four expenditures totaling \$116,130 and seven transfers between funds totaling \$842,037 that were either not approved by fiscal court or not recorded in the fiscal court order book. Of the transfers, five were transfers to the Self-Insurance Fund for a total of \$242,037. We recommend that all expenditures and transfers be approved by fiscal court prior to payment and recorded in the fiscal court order book as required by KRS 68.275 and KRS 67.100.
- B. We noted six expenditures totaling \$435,472 that were not paid within thirty days of receipt of the invoice. KRS 65.140 requires all bills for goods and services be paid within thirty working days of receipt of vendor's invoice. We recommend that payment of claims be made in accordance with this statute. If the fiscal court decides to withhold payment of specific invoices, we recommend that their reason be documented in the fiscal court order book.

*County Treasurer's Response:*

*Fiscal Court Order at August 21, 2001 meeting allowing the County Treasurer to make transfers to the Self-Insurance Fund as needed and to make transfers between other funds for cash management purposes as needed.*

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



MARSHALL COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2000

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	Pass-Through Grantor's Number	Expenditures
Cash Programs:		
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department of Local Government:		
Community Development Block Grant Program-Olive/Elva Water Project CFDA #14.228	B-98-DC-21-0001 (005)	\$ 200,376
Community Development Block Grant Program-Exceptional Center Training CFDA #14.228	B-96-DC-21-0001 (043)	<u>14,856</u>
Total U.S. Department of Housing and Urban Development		\$ 215,232
<u>U.S. Department of Justice</u>		
Passed-Through State Justice Cabinet:		
Local Law Enforcement Block Grant Program-Equipment CFDA #16.592	LLEB-189-1/99	\$ 5,000
Tri-County Area Drug Task Force Grant Program-Byrne Memorial Grant CFDA #16.579	5962-N2-1/99	82,308
Community Oriented Policing Services MORE 97 Grant Program-Hiring Grant CFDA #16.710	97-PR-WX-0068	2,694
Community Oriented Policing Services MORE 98 Grant Program-Hiring Grant CFDA #16.710	99-CM-WX-2855	<u>19,411</u>
Total U.S. Department of Justice		\$ 109,413

MARSHALL COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Fiscal Year Ended June 30, 2000  
 (Continued)

Federal Grantor Program Title Grant Name (CFDA #)	Pass-Through Grantor's Number	Expenditures
Cash Programs (Continued):		
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs: Disaster and Emergency Assistance Grants- Coordinator Salary CFDA #83.534		\$ 6,420
Passed-Through State Department of Military Affairs: Hazard Mitigation Grant Program CFDA #83.548	1216-DR-KY-007	<u>79,600</u>
Total U.S. Federal Emergency Management Agency		\$ 86,020
<u>Tennessee Valley Authority</u>		
Handicap Fishing Pier	99RE3-257068	<u>\$ 7,099</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 417,764</u></u>



MARSHALL COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2000

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis.

Note 2 - The federal expenditures for the U.S. Department of Housing and Urban Development, Community Development Block Grant-Olive/Elva Water Project-CFDA #14.228 and the U.S. Federal Emergency Management Agency, Hazard Mitigation Grant Program-Siren Grant-CFDA #83.548 consist of \$200,376 and \$79,600 respectively.

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CERTIFICATION OF COMPLIANCE –  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

MARSHALL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

Appendix A



CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS  
MARSHALL COUNTY FISCAL COURT

The Marshall County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name  
County Judge/Executive



Name  
County Treasurer



AUDIT OF MARSHALL COUNTY REFUSE DISPOSAL DISTRICT





**MARSHALL COUNTY  
REFUSE DISPOSAL DISTRICT**

---

**FINANCIAL STATEMENTS**

*For the fiscal year ended June 30, 2000*



# **AUDIT REPORT & FINANCIAL STATEMENTS**

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## **MARSHALL COUNTY REFUSE DISPOSAL DISTRICT**

*For the fiscal year ended*

**June 30, 2000**

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**FOUNTAIN & ASSOCIATES**  
**CERTIFIED PUBLIC ACCOUNTING**

---

TAXES ♦ BOOKKEEPING ♦ AUDITING ♦ PAYROLL ♦ CONSULTING



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Statement of Assets, Liabilities, and Fund Balance Arising from Cash Transactions	2
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balance	3
Notes to Financial Statements	4-5
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	6



75 Vine Street  
Benton, KY 42025

(270) 527-3628  
(270) 527-2261 fax

<foucpas@apex.net>

# FOUNTAIN & ASSOCIATES

## CERTIFIED PUBLIC ACCOUNTING

TAXES ♦ BOOKKEEPING ♦ AUDITING ♦ PAYROLL ♦ CONSULTING

MEMBER,  
American Institute  
of CPA's

MEMBER,  
Kentucky Society  
of CPA's

### INDEPENDENT AUDITORS' REPORT

Board of Directors  
Marshall County Refuse Disposal District  
Benton, Kentucky

We have audited the assets, liabilities, and fund balances arising from cash transactions of the Marshall County Refuse Disposal District as of June 30, 2000, and the related statement of cash receipts, cash disbursements and changes in cash balances for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As recommended by the State Local Finance Officer, pursuant to Kentucky Revised Statutes (KRS) 68.210, the accompanying financial statements are prepared on a cash basis. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of the Marshall County Refuse Disposal District as of June 30, 2000, and the related cash receipts, cash disbursements, and changes in cash balances for the year then ended, on the basis of accounting described in Note 1.

*Fountain & Associates*

Benton, Kentucky  
June 11, 2001

**MARSHALL COUNTY REFUSE DISPOSAL DISTRICT**  
**STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE**  
**ARISING FROM CASH TRANSACTIONS**  
JUNE 30, 2000

**ASSETS**

Current Assets:

Cash in Bank	\$ 129,972.86
Certificate of Deposit	<u>472.90</u>

TOTAL ASSETS	<u><u>\$ 130,445.76</u></u>
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**LIABILITIES AND FUND BALANCE**

Liabilities:

None	\$ 0.00
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Fund Balance	<u>130,445.76</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 130,445.76</u></u>
------------------------------------	-----------------------------

*See notes to financial statements*



**MARSHALL COUNTY REFUSE DISPOSAL DISTRICT**  
**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2000**

**CASH RECEIPTS:**

District Taxation	\$ 1,015,516.96	
Sale of surplus property	365.00	
Transfer from fiscal court	300,000.00	
Interest	9,780.04	
Total Receipts		\$ 1,325,662.00

**CASH DISBURSEMENTS:**

Wages & Payroll taxes - Note 2	666,278.11	
Maintenance & Supplies	58,669.06	
Utilities and telephone	10,141.68	
Trailer and equipment leases	14,220.00	
Employee retirement - Note 3	34,905.21	
Fuel and Oil	32,219.50	
Commissioner Fees	10,800.00	
Insurance	82,691.10	
Professional fees	2,580.00	
Office expense & advertising	4,111.18	
Machine hire, dirt	110,000.92	
Uniforms	14,115.17	
Physicals & Medical	5,120.80	
Miscellaneous	1,665.87	
Well testing and monitoring	105,016.08	
Capital outlay	177,554.41	
Waste disposal contract	294,723.64	
Lot leases	1,800.00	
Licenses & Permits	155.00	
Travel	1,329.82	
Training	2,400.00	
Water Line Expenses	1,537.10	
Total Disbursements		1,632,034.65

Increase (decrease) in Cash Balance	(306,372.65)
Cash Balance, July 1, 1999	436,818.41
Cash Balance, June 30, 2000	\$ 130,445.76

*See notes to financial statements*

**MARSHALL COUNTY REFUSE DISPOSAL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2000

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Basis of Accounting - The District prepares its financial statements on the basis of cash receipts and disbursements; consequently, certain revenue is recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Also, fixed assets are recorded as an expense in the year of purchase, rather than as an asset as required by generally accepted accounting principles. Note proceeds and retirement are recorded as receipts and disbursements, rather than as a liability.

**NOTE 2. WAGES AND PAYROLL TAXES**

The amount in this category on the financial statements includes gross wages of \$614,820.74 plus employer's share of social security taxes (calculated after health insurance deductions) and unemployment insurance. This category also includes a small amount equal to the difference between actual amounts withheld for social security, federal, state and local taxes versus taxes actually paid (remitted) during the fiscal year. The employer's portion of health insurance premiums was paid by the County until March, 1993 and the District did not reimburse the County for them. After that point, the District began paying for the insurance.

**NOTE 3. RETIREMENT PLAN**

All full time employees are covered under the County Employee's Retirement System (CERS) of the State of Kentucky, a cost sharing, multiple-employer, public employees retirement system, defined benefit pension plan. Funding for the plan is provided through payroll withholding of 5% and a district contribution of 7.28% of the employee's total compensation subject to contribution.

The District's total payroll for the year was \$614,820.74. The payroll for employees covered under CERS was \$492,342.08.

The contribution requirement for CERS for the year ended June 30, 2000, was \$60,459.31, which consisted of \$34,905.21 from the district and \$24,616.83 from the employees. The contribution requirements for the years ended June 30, 1999 and 1998, was \$54,138.05 and \$51,709.33, respectively.

Benefits under the plan will vary based on final compensation, years of service, and other factors as fully described in the plan documents. Copies of the plan's stand-alone financial statements are available from the plan administrator.

**MARSHALL COUNTY REFUSE DISPOSAL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
JUNE 30, 2000

**NOTE 4. OTHER PERTINENT INFORMATION**

The State of Kentucky mandated that all landfills not in compliance with state requirements concerning preparations of landfills for use be closed by June 30, 1992. However, there was still a need for the Marshall County Refuse Disposal District to operate the county dumpsters and transporting of refuse to private disposal enterprises. The District has several transfer stations at various points in the county where county residents may bring their refuse for disposal. The stations are fenced in and are open only during certain hours when they are overseen by District employees.

**NOTE 5. DEPOSITS**

At June 30, 2000, the carrying amount of the District's deposits was \$130,445.76 and the bank balance was \$ 146,544.10. Of this amount, \$100,000 was covered by FDIC insurance, and \$46,544.10 was unsecured. The bank holds pledged collateral in the name of the Marshall County Fiscal Court; however, they could not confirm whether those securities would be sufficient as collateral for both the Fiscal Court and Refuse District funds.

**NOTE 6. POST-EMPLOYMENT BENEFITS**

In accordance with COBRA requirements, eligible employee are offered insurance coverage after termination.

75 Vine Street  
Benton, KY 42025

(270) 527-3628  
(270) 527-2261 fax

<foucpas@apex.net>

# FOUNTAIN & ASSOCIATES

## CERTIFIED PUBLIC ACCOUNTING

TAXES ♦ BOOKKEEPING ♦ AUDITING ♦ PAYROLL ♦ CONSULTING

MEMBER,  
American Institute  
of CPA's

♦  
MEMBER,  
Kentucky Society  
of CPA's

### REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees  
Marshall County Refuse Disposal District

We have audited the financial statements of the Marshall County Refuse Disposal District, as of and for the year ended June 30, 2000, and have issued our report thereon dated June 11, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### COMPLIANCE

As part of obtaining reasonable assurance about whether the Marshall County Refuse Disposal District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Marshall County Refuse Disposal District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board and management and is not intended to be and should not be used by anyone other than these specified parties.

*Fountain & Associates*

Benton, Kentucky  
June 11, 2001

AUDIT OF MARSHALL COUNTY EXCEPTIONAL CENTER

Appendix C



**EXCEPTIONAL CENTER OF  
MARSHALL COUNTY, KENTUCKY**

**AUDIT REPORT**

JUNE 30, 2000





# **C O N T E N T S**

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STATEMENT OF FUNCTIONAL EXPENSES	4
STATEMENT OF CASH FLOW - INDIRECT METHOD	5
NOTES TO FINANCIAL STATEMENTS	6-9



75 Vine Street  
Benton, KY 42025

(270) 527-3628  
(270) 527-2261 fax

<foucpas@apex.net>

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# FOUNTAIN & ASSOCIATES

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American Institute  
of CPA's

♦  
MEMBER,  
Kentucky Society  
of CPA's

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
**MARSHALL COUNTY EXCEPTIONAL CENTER**  
Marshall County, Kentucky

We have audited the accompanying statement of financial position of the Marshall County Exceptional Center (a nonprofit organization) as of June 30, 2000, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marshall County Exceptional Center as of June 30, 2000, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

*Fountain & Associates*

Fountain & Associates  
Certified Public Accountants

September 20, 2000

MARSHALL COUNTY EXCEPTIONAL CENTER  
MARSHALL COUNTY, KENTUCKY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2000

**ASSETS**

Current Assets:

Petty cash	\$ 200.00	
Cash in Bank - operating account	118,336.32	
Cash in Bank - money market account	328,353.10	
Cash in Bank - construction account	1,937.64	
Cash in Bank - nutrition account	36,950.94	
Certificates of Deposit	162,766.76	
Total Cash and equivalents	<u>648,544.76</u>	
Contracts Receivable	2,221.56	
Interest Receivable	241.63	
Grants Receivable	2,613.63	
Note Receivable - Note 3	804.43	
Nutrition Program Receivable	6,048.06	
Related Party Receivable - Note 11	6,298.68	
Medicaid Receivable	<u>4,826.88</u>	
<b>Total Current Assets</b>		<b>\$ 671,599.63</b>

Property and Equipment - Note 2:

Building	572,799.25	
Equipment & furnishings	147,968.26	
Vehicles	36,948.00	
Total	<u>757,715.51</u>	
Less: Accumulated Depreciation	<u>111,936.15</u>	
Net Property and equipment		645,779.36

Other Assets:

Utility deposits	190.00	
<b>TOTAL ASSETS</b>		<b>\$ 1,317,568.99</b>

**LIABILITIES AND NET ASSETS**

Liabilities:

Accounts Payable	\$ 165,371.91	
Payroll Taxes Payable	<u>3.52</u>	
<b>Total Liabilities</b>		<b>\$ 165,375.43</b>

Net Assets:

Restricted	17,042.60	
Unrestricted	<u>1,135,150.96</u>	
Total Net Assets		<u>1,152,193.56</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,317,568.99</b>
---	------------------------

See Notes to Financial Statements.

MARSHALL COUNTY EXCEPTIONAL CENTER  
MARSHALL COUNTY, KENTUCKY  
**STATEMENT OF ACTIVITIES**  
FOR THE YEAR ENDED JUNE 30, 2000

SUPPORT, REVENUES, AND RECLASSIFICATIONS:	Unrestricted	Temporarily Restricted	Total
Support:			
Grant-Supportive Employment	\$ 10,899.00	\$ 0.00	\$ 10,899.00
Grant-West Kentucky Regional Mental Health and Mental Retardation	20,991.00	0.00	20,991.00
Grant - Kentucky Order of Colonels	0.00	17,042.60	17,042.60
Contributions	401,360.49	0.00	401,360.49
Contracts	2,902.12	0.00	2,902.12
Golf Tournament	27,418.50	0.00	27,418.50
<b>Total Support</b>	<b>463,571.11</b>	<b>17,042.60</b>	<b>480,613.71</b>
Revenue:			
Lunches and snacks	1,692.50	0.00	1,692.50
Nutrition program revenue	102,270.08	0.00	102,270.08
Transportation receipts	1,862.67	0.00	1,862.67
Medicaid	50,839.23	0.00	50,839.23
Rent	1,275.00	0.00	1,275.00
Interest income	17,374.74	0.00	17,374.74
Other	227.42	0.00	227.42
<b>Total Revenue</b>	<b>175,541.64</b>	<b>0.00</b>	<b>175,541.64</b>
<b>Total Support and Revenue</b>	<b>639,112.75</b>	<b>17,042.60</b>	<b>656,155.35</b>
EXPENSES:			
Program Services:			
Center Services	206,346.93	0.00	206,346.93
Supportive Employment	54,861.90	0.00	54,861.90
Nutrition Program	98,757.62	0.00	98,757.62
<b>Total Program Services</b>	<b>359,966.45</b>	<b>0.00</b>	<b>359,966.45</b>
Fund-raising	3,640.58	0.00	3,640.58
General and administrative	82,309.56	0.00	82,309.56
<b>Total expenses</b>	<b>445,916.59</b>	<b>0.00</b>	<b>445,916.59</b>
Change in net assets	193,196.16	17,042.60	210,238.76
Net assets at beginning of year	941,954.80	0.00	941,954.80
<b>Net assets at end of year</b>	<b>\$ 1,135,150.96</b>	<b>\$ 17,042.60</b>	<b>\$ 1,152,193.56</b>

See Notes to Financial Statements.

**MARSHALL COUNTY EXCEPTIONAL CENTER  
MARSHALL COUNTY, KENTUCKY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2000**

	PROGRAM SERVICES					
	Center Services	Supportive Employment	Nutrition Program	Fund- Raising	General and Administrative	Total Expenses
Salaries	\$ 111,424.34	\$ 36,091.63	\$ 35,573.82	\$ 0.00	\$ 43,195.90	\$ 226,285.69
Payroll taxes	7,870.27	2,552.74	2,544.16	0.00	3,171.85	16,139.02
Retirement	7,636.97	2,579.01	2,618.82	0.00	3,122.60	15,957.40
Fringe benefits	20,306.72	6,081.40	4,891.79	0.00	2,558.76	33,838.67
Total personnel	147,238.30	47,304.78	45,628.59	0.00	52,049.11	292,220.78
Utilities and telephone	20,459.32	1,295.35	0.00	0.00	0.00	21,754.67
Insurance	4,812.34	1,231.33	0.00	0.00	1,522.00	7,565.67
Office supplies	0.00	144.74	191.89	0.00	4,913.19	5,249.82
Food	2,145.23	0.00	46,611.22	0.00	0.00	48,756.45
Program supplies	898.32	335.00	1,609.12	0.00	0.00	2,842.44
Repairs and maintenance	4,804.34	717.11	196.89	0.00	324.00	6,042.34
Staff training	1,059.80	32.00	0.00	0.00	0.00	1,091.80
Travel and conferences	263.19	2,314.84	0.00	0.00	2,958.70	5,536.73
Professional fees	0.00	0.00	0.00	0.00	1,725.00	1,725.00
Dues and subscriptions	0.00	0.00	15.00	0.00	986.00	1,001.00
Printing and advertising	0.00	244.45	234.11	0.00	761.13	1,239.69
Open house and Christmas	2,787.66	350.00	350.00	0.00	500.00	3,987.66
Flowers and memorials	0.00	0.00	0.00	0.00	267.60	267.60
Golf tournament	0.00	0.00	0.00	3,640.58	0.00	3,640.58
Transfers to Baker Apartments	0.00	0.00	0.00	0.00	13,810.00	13,810.00
Miscellaneous	911.46	19.00	45.00	0.00	460.31	1,435.77
Total expenses before depreciation and loss on abandonment	185,379.96	53,988.60	94,881.82	3,640.58	80,277.04	418,168.00
Depreciation	20,966.97	873.30	3,875.80	0.00	2,032.52	27,748.59
Total expenses	<u>\$ 206,346.93</u>	<u>\$ 54,861.90</u>	<u>\$ 98,757.62</u>	<u>\$ 3,640.58</u>	<u>\$ 82,309.56</u>	<u>\$ 445,916.59</u>

See Notes to Financial Statements.

MARSHALL COUNTY EXCEPTIONAL CENTER  
MARSHALL COUNTY, KENTUCKY  
**STATEMENT OF CASH FLOW - INDIRECT METHOD**  
FOR THE YEAR ENDED JUNE 30, 2000

Cash Flows from Operating Activities:		
Excess (deficit) of revenues over expenses		\$ 210,238.76
Adjustments to Reconcile to Net Cash provided by Operating Activities:		
Depreciation	\$ 27,748.59	
Changes in Assets and Liabilities:		
Increase (decrease) in payables	4,286.42	
Decrease (increase) in receivables	<u>33,994.33</u>	<u>66,029.34</u>
Net Cash Flow from Operating Activities		276,268.10
Cash Flows from Investing Activities:		
Purchase of Capital Assets	<u>(4,769.89)</u>	
Net Cash Used in Investing Activities		<u>(4,769.89)</u>
Increase (Decrease) in Cash and Equivalents		271,498.21
Cash and Equivalents - June 30, 1999		<u>377,046.55</u>
Cash and Equivalents - June 30, 2000		<u><u>\$ 648,544.76</u></u>

See Notes to Financial Statements.

MARSHALL COUNTY EXCEPTIONAL CENTER  
MARSHALL COUNTY, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The records of the Center are maintained on the cash basis of accounting. Adjustments have been made to the financial statements for depreciation, receivables, and payables to more properly reflect the net assets.

Organization:

The Center is a non-profit organization exempt from income tax under Section 501 (c) (3) of the U. S. Internal Revenue Code. The Center was formed to educate and train mentally and/or physically handicapped children. Since the state school system has mainstreamed these students into the local school system, the Center now serves adult clients and has changed its name from the Marshall County School for Exceptional Children to the Marshall County Exceptional Center. The Center has also has a nutrition program which provides meals to the Marshall County Senior Citizen Center.

NOTE 2. PROPERTY AND EQUIPMENT:

The Center has the policy of capitalizing any property and equipment with a useful life of more than one year and costing over \$100.00. Property and equipment are shown at original cost. All property and equipment are being depreciated over a five to ten year life, except the building, which is being depreciated over a forty year life, with one-half year taken in the year of purchase, using the straight-line method.

NOTE 3. NOTE RECEIVABLE:

During a prior fiscal year, it was discovered that a former employee had apparently charged various building supplies to the Center, which he then converted to personal use. Upon this discovery, the Board examined invoices and determined that approximately \$2,394.43 in personal bills were paid by the School. The former employee has signed an agreement with the Center to repay this amount at the rate of \$20 per month, with no interest being charged. During the current and prior fiscal year, no payments were received on this.



MARSHALL COUNTY EXCEPTIONAL CENTER  
MARSHALL COUNTY, KENTUCKY  
**NOTES TO FINANCIAL STATEMENTS** *(Continued)*  
JUNE 30, 2000

NOTE 4. STATEMENT OF CASH FLOW:

Cash and equivalents include petty cash, cash in checking accounts, cash in money market accounts and the certificates of deposit.

There was no amount paid for interest or income taxes during the year.

NOTE 5. SALARIES AND FRINGE BENEFITS:

The Center reimburses the Marshall County Fiscal Court and the Marshall County Board of Education for salaries.

Retirement Plan Description:

Substantially all employees of the Marshall County Exceptional Center are covered under the County Employees' Retirement System (CERS), which is a cost-sharing, multiple-employer, public employers retirement system, defined benefit pension plan. Funding for the plan is provided through payroll withholding of 5.0% and a Center contribution of 7.28% of the employee's total compensation subject to contribution.

The Center's total payroll for the year was \$263,655.54. The payroll for employees covered under CERS was \$250,972.25.

The contribution requirement for CERS for the year ended June 30, 2000, was \$30,819.39, which consisted of \$18,270.78 from the Center and \$12,548.61 from the employees. The contribution requirement for CERS for the years ended June 30, 1999 and 1998 was \$27,877.73 and \$23,828.50, respectively.

Benefits under the plan will vary based on final compensation, years of service, and other factors as fully described in the plan documents. Copies of the plans' stand-alone financial statements are available from the plan administrator.

NOTE 6. INSURANCE AND RELATED ACTIVITIES:

The Center is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, etc. Each of these risk areas is covered through the purchase of commercial insurance.

MARSHALL COUNTY EXCEPTIONAL CENTER  
MARSHALL COUNTY, KENTUCKY  
**NOTES TO FINANCIAL STATEMENTS** *(Continued)*  
JUNE 30, 2000

NOTE 7. ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, and net assets at the date of the financial statements, and the reported amounts of support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 8. CONTINGENCIES:

The Center receives funding from various grantors and private contributions. These funds are to be used for designated purposes only. If the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the Center for its disbursements. The amount of such future refund and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Center's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

NOTE 9. TEMPORARILY RESTRICTED FUNDS

The Center received a grant from the Honorable Order of the Kentucky Colonels to purchase a walk-in freezer. The grant was received in June, 2000 and was not spent prior to the end of the fiscal year; therefore, the funds are being shown on the financial statements as temporarily restricted until such time as the grant requirements have been fulfilled.

MARSHALL COUNTY EXCEPTIONAL CENTER  
MARSHALL COUNTY, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS *(Continued)*  
JUNE 30, 2000

NOTE 10. CASH IN BANK:

At June 30, 2000, the Center's carrying amount of cash in bank was \$648,344.76 and the bank balance was \$649,653.68. Of this amount \$273,893.98 was insured by federal depository insurance and \$375,759.70 was collateralized with securities held by its agent in the entity's name.

NOTE 11. OTHER RECEIVABLES:

The Center pays the salary of its director, who also serves as the manager for the Willis Green Group Home, and for the salary of the Group Home resident manager. The Group Home reimburses the Center periodically for these expenses. The balance due from the Home is shown on the balance sheet as a receivable. The Center and the Group Home are related through a common board of directors.

NOTE 12. TRANSFERS TO BAKER APARTMENTS:

During the current fiscal year, the Center transferred \$13,310.00 to establish an account for the Baker Apartments. Similar to the Willis Green Group Home, the apartments will house mentally and/or physically handicapped adults. The Center also paid an Internal Revenue Service user fee for the Apartments to obtain non-profit status.